

Message Text

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ACTION EB-07

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SUBJ: WALKER-CHADHA CONVERSATION ON MTN AND COMMODITY ISSUES
OTHER FORA

SUMMARY: INTRODUCTORY CONVERSATION WITH AMBASSADOR CHADHA COVERED WIDE RANGE OF ISSUES INCLUDING CURRENT STATUS QUANTITATIVE RESTRICTION CONSULTATIONS, EFFECT RECENT CONSOLIDATION OF GOVERNMENT BY MRS. GANDHI, THE EFFECT OF OIL PRICES ON INDIA, THE INTEGRATED COMMODITY PROGRAM OF UNCTAD, THE POSSIBILITY OF COMMODITY DISCUSSIONS IN THE MTN, AND LDC RECIPROCITY. WITH RESPECT TO THE LAST TOPIC CHADHA MENTIONED THE POSSIBILITY OF DISMANTLING UK PREFERENCES. END SUMMARY.

1. QUANTITATIVE RESTRICTIONS. AS BOTH CHAIRMAN OF QR SUBGROUP AND REPRESENTATIVE OF INDIA, CHADHA INDICATED DISSATISFACTION WITH THE FACT THAT NO CONSULTATIONS HAVE OCCURRED TO DATE. EXCEPTING THE U.S. WILLINGNESS TO CONSULT, CHADHA NOTED THAT PATTERN OF DC RESPONSES WAS THAT AGRICULTURAL QR'S COULD ONLY BE CONSIDERED IN THE AGRICULTURAL GROUP, TEXTILE QR'S COULD ONLY BE CONSIDERED UN-

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DER THE MFA, AND THAT OTHER MEASURES WERE BEING DEFINED, EVEN BY

THE AUSTRALIANS, AS SAFEGUARD OR OTHER TYPE ACTIONS AND THUS NOT THE SUBJECT OF THE QR SUBGROUP. HE NOTED THAT INDIA HAD NOTIFIED ALL RELEVANT AGRICULTURAL QR'S IN BOTH THE QR SUBGROUP AND THE TROPICAL PRODUCTS GROUP. THUS HE EXPECTS TO BE ABLE TO CONSULT WITH THE EC UNDER TROPICAL PRODUCT GROUP PROCEDURES ON AGRICULTURAL QR'S OF INTEREST TO INDIA. HIS FALLBACK POSITION IS TO DISCUSS THESE QR'S IN WHATEVER FORUM AGREEABLE TO THE NOTIFIED COUNTRY (E.G. IN GROUP AGRICULTURE WITH THOSE COUNTRIES WISHING TO CONSULT IN THAT FORUM). BECAUSE OF THIS POSITION HE HAS NO ALTERNATIVE PROCEDURES TO OFFER WITH RESPECT TO AGRICULTURAL QR'S.

2. IN RESPONSE TO MY QUESTION CHADHA INDICATED THAT NO ADVERSE CHANGES IN INDIAN COMMERCIAL OR ECONOMIC POLICY SHOULD BE EXPECTED AS A RESULT THE RECENT CONSOLIDATION OF POWER BY PRIME MINISTER GANDHI. PERSONALLY HE DID NOT DISCOUNT THE POSSIBILITY OF BENEFICIAL CHANGES OCCURRING AND MADE REFERENCE TO AN IMPENDING LOOSENING OF LICENSING PRACTICES IN INDIA ON SOME CAPITAL GOODS AND COMPONENT PARTS FOR DOMESTIC MANUFACTURING INDUSTRIES. HE NOTED THAT THIS WAS BEING DONE DESPITE THE FACT THAT SUCH GOODS WERE PRODUCED IN INDIA. HE ALSO FELT THERE WAS POSSIBILITY OF MORE FAVORABLE TREATMENT FOR FOREIGN INVESTMENT. HE WAS AT PAINS TO EMPHASIZE THAT THE CHANGES IN GOVERNMENT POLICY DID NOT THREATEN LESS FAVORABLE TRADE POLICIES AND COULD FORESHADOW MORE LIBERALIZATION.

3. OIL PRICES. CHADHA NOTED THAT INDIA IN UNCTAD COMMITTEE ON COMMODITIES HAD SPOKEN TO THE QUESTION OF THE CONTINUED ADVERSE AFFECT OF HIGH OIL PRICES ON SOME LDC'S. HE STRESSED THE ADVANTAGE OF DEVELOPED COUNTRIES DEALING WITH THE SEVEN LDC'S AT THE PRODUCER/CONSUMER PREPCON AS A BLOC NOTING THE MODERATING INFLUENCE THAT BRAZIL AND INDIA COULD HAVE ON AN EXTREMIST DELEGATION SUCH AS ALGERIA. HIS OWN PERSONAL HOPE FOR THE OUTCOME OF THIS CONFERENCE WAS A DUAL PRICING SYSTEM FOR OIL (ONE PRICE FOR DC'S, A LOWER PRICE FOR LDC'S) BUT DID NOT DISCOUNT THE POSSIBILITY, RECOGNIZING THE IMPACT OF OIL PRICES ON DEVELOPED COUNTRIES, OF LOWER PRICES FOR ALL. HE HOWEVER RETURNED CONSISTENTLY TO THE RIGHT OF FAIRER PRICES FOR RAW MATERIAL PRODUCING LDC'S AND DEFINED FAIRER PRICES IN TERMS OF PDSH REAL INCOME.

4. PROPOSED UNCTAD INTEGRATED PROGRAM ON COMMODITIES. FOLLOWING LIMITED OFFICIAL USE

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ON HIS REMARK CONCERNING FAIRER PRICES CHADHA STRESSED THE IMPORTANCE OF THE UNCTAD'S PROPOSED INTEGRATED PROGRAM ON COMMODITIES. HE INDICATED THAT A FRAME WORK FOR COMMODITY DISCUSSIONS WAS NECESSARY WHICH WOULD IDENTIFY THE ESSENTIAL ELEMENTS OF A COMMODITY AGREEMENT AND WOULD FUND THE MAINTENANCE OF THE NECESSARY BUFFER STOCKS. HE RECOGNIZED THAT WITHIN THESE PARAMETERS A COMMODITY-BY-COMMODITY APPROACH WAS NECESSARY.

5. TEA. CHADHA INDICATED TENTATIVE INDIAN INTEREST IN STUDYING POSSIBLE MULTILATERAL SOLUTIONS TO TEA STRESSING THE NEED FOR PRICE STABILITY FOR THIS COMMODITY. HE INDICATED THAT SEVERAL LDC'S WERE INTERESTED IN CONDUCTING THIS WORK UNDER AUSPICES OF THE TROPICAL PRODUCTS GROUP AND REQUESTED OUR VIEWS ON THE SUBJECT. I INDICATED LONG-HELD ALMOST THEOLOGICAL PROBLEMS THE U.S. HAD WITH RESPECT TO COMMODITY ARRANGEMENTS BUT INDICATED THAT A STUDY OF THE PROBLEMS IN THE TRADE OF TEA WITHOUT PREJUDGING THE RESULTS MIGHT BE ACCEPTABLE. HE AGREED THAT THERE WERE MARKET ACCESS PROBLEMS IN THE TRADE OF TEA AND THAT THE QUESTION OF THE COMPETENCE OF THE GROUP ON DEALING WITH THE PROBLEMS CAUSED, FOR EXAMPLE BY THE AUCTION SYSTEM OR PRICE STABILITY, COULD BE LEFT OPEN. HE INDICATED THAT THE RATIONAL ECONOMIC DECISION, ABSENT PRICE STABILITY ARRANGEMENT, WOULD BE FOR INDIA TO PHASE OUT TEA PRODUCTION.

5. TROPICAL PRODUCTS. I INDICATED THAT IT WOULD BE DIFFICULT FOR THE U.S. TO HAVE AS THE FIRST ACCOMPLISHMENT IN THE NEGOTIATIONS A TROPICAL PRODUCTS PACKAGE WHICH WOULD BE INSUFFICIENTLY BALANCED. IT WOULD BE VIEWED AS GIVING WITHOUT RECEIVING AND COULD NOT STAND ALONE. CHADHA EXPRESSED A GREAT DEAL OF DIFFICULTY IN CONVINCING HIS AUTHORITIES THAT INDIAN CONTRIBUTIONS TO THE NEGOTIATIONS WOULD BE TIED TO SPECIFIC CONCESSIONS. HE RATHER INDICATED THAT PREVALENT INDIAN AND LDC VIEWS WERE THAT GENERAL CONTRIBUTIONS TO THE NEGOTIATIONS COULD BE MADE AT THE END OF THE DAY. ON THE SUBJECT OF RECIPROCITY IN THIS CONTEXT HE INDICATED THAT THE INDIAN GOVERNMENT WAS CONSIDERING THE DISMANTLING OF PREFERENCES TO THE UK AND INFORMALLY ASKED WHETHER THIS WOULD BE VIEWED AS A CONTRIBUTIONS TO THE NEGOTIATIONS. I RESPONDED THAT I WOULD CHECK WITH MY AUTHORITIES BUT NOTED THAT INDIA WOULD BE A BENEFICIARY COUNTRY UNDER GSP AND THUS PREFERENCES TO THE UK WERE UNLIKELY TO HAVE A SIGNIFICANT AFFECT ON U.S. COMMERCE.

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6. SUPPLY. DESPITE CHADHA'S VIEWS AS A CONSUMER OF OIL AND FOOD, HE STILL EXPRESSED A CAUTIOUS LDC VIEW WITH RESPECT TO SUPPLY ACCESS QUESTIONS. HE INDICATED HE WOULD BE GLAD TO STUDY SPECIFIC PROPOSALS ON ACCESS BY THE U.S. AND OTHER DEVELOPED COUNTRIES WITHOUT COMMITMENT. HE CONTRASTED THIS POSITION WITH THAT OF OTHER LDC'S WHICH HAVE THUS FAR REFUSED TO EXPLORE THE QUESTION AT ALL. WALKER

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